

**FIRST BANK SYSTEM
COMMUNITY DEVELOPMENT CORPORATION**

Bank Holding Company: FIRST BANK SYSTEM, INC. (Minneapolis, Minnesota)

Granted Permission: March 1984; geographic expansion approved May 1985

Current Capitalization: \$1,000,000

Description: First Bank System Community Development Corporation (FBSCDC) is a for-profit community development corporation (CDC) that provides equity investments, loans and project packaging assistance for a variety of housing and community development projects in areas served by the holding company's affiliate banks. In recent years, FBSCDC has specialized in equity financing for low-income housing projects.

Since its inception, FBSCDC has made investments in numerous projects in several states served by First Bank System Inc.'s subsidiary banks. In 1997 FBSCDC made the following equity investments:

In July, FBSCDC made an investment as the sole limited partner in Bull Durham Limited Partnership. The partnership was formed to acquire, rehabilitate, own, and operate a mixed-use, historical property consisting of 48 residential units for low-income residents and commercial space in downtown Omaha, Nebraska. FBSCDC has provided funding of \$2,721,188, First Bank has provided construction and first mortgage funding of \$750,000, and other funding sources have provided \$1,422,662.

In July, FBSCDC made an investment in the Chicago Equity Fund 1997 Limited Partnership. The partnership provides equity in operating partnerships that develop and own affordable housing for low- and moderate-income people in the Chicago metropolitan area. FBSCDC provided funding of \$2,500,000, and other funding sources have provided \$22,500,000.

In February, FBSCDC made an investment in the Dakota County Capital Fund. The partnership provides equity or makes loans to start-up or emerging for-profit businesses (in Dakota County, Minnesota) for which small infusions of capital would make large differences in their long-term prospects for success. FBSCDC provided funding of \$50,000, and other funding sources provided \$300,000.

In April, FBSCDC made an investment in the Dakota Equities Limited Partnership. The partnership provides equity in operating partnerships that develop and own affordable housing for low- and moderate-income people

throughout South Dakota. FBSCDC provided funding of \$1,500,000, and other funding sources provided \$9,300,000.

In January, FBSCDC made an investment as the sole limited partner in Foxcrest Limited Partnership. The partnership was formed to build, own, and operate a 56-unit townhome project for low-income, elderly people in Cheyenne, Wyoming. FBSCDC provided funding of \$1,985,641, and other funding sources provided \$2,086,364.

In June, FBSCDC made an investment as the sole limited partner in Hastings Family Housing Limited Partnership. The partnership was formed to build 31 units of affordable housing for families in Dakota County, Minnesota. The project's general partner is Dakota County HRA. FBSCDC provided funding of \$1,770,318, and other funding sources provided \$1,736,746.

In June, FBSCDC made an investment as the sole limited partner in Hausmann-Schoeer Limited Partnership. The partnership was formed to obtain, rehabilitate, own, and operate a mixed-use property consisting of 19 residential units for low-income residents and 3,100 square feet of commercial space in Milwaukee, Wisconsin. FBSCDC provided funding of \$1,985,641, First Bank Milwaukee provided first mortgage funding of \$450,000, and other funding sources provided \$304,283.

In March, FBSCDC made an investment in the Nebraska Affordable Housing Fund 1997 Limited Partnership. The partnership provides equity in operating partnerships that develop and own affordable housing for low- and moderate-income people throughout Nebraska. FBSCDC provided funding of \$1,000,000, and other funding sources provided \$5,000,000.

FBSCDC's investments in national equity pools to date total approximately \$18 million, including \$10 million in the National Equity Fund. All of the pools are tax credit investments that provide equity for affordable housing projects throughout First Bank System's trade territory.

Since 1988, FBSCDC has committed more than \$45 million in equity dollars to a wide range of community development projects, but primarily to those that call for equity financing of affordable housing projects.

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COMMUNITY FIRST DEVELOPMENT CORPORATION
La Crosse, Wisconsin

Bank Holding Company: FIRST STATE BANCORP, INC.
La Crosse, Wisconsin

Granted Permission: June 1994

Initial Capitalization: \$50,000

Description: First State Bancorp created Community First Development Corporation (CFDC) to engage in the construction and rehabilitation of for-sale and rental low- and moderate-income housing.

In constructing low- and moderate-income housing, CFDC will work with Western Wisconsin Technical College (WWTC). CFDC will acquire a parcel of property, and students, under the supervision of WWTC faculty, will construct a new home on the site. CFDC will fund construction costs with equity capital or with borrowings from either First Bancorp or unaffiliated financial institutions and will maintain ownership of the property and its improvements. Upon completion of the home, CFDC will market the final product. CFDC intends to donate a significant portion of the profits from the sale of the homes to WWTC to be used for scholarships to low- income students. Students of the college will receive work experience for their respective trade.

The CFDC will apply for grants and aid from local, state, and federal governments for the rehabilitation and/or construction of living quarters for low- to moderate-income families. CFDC will fund any costs associated with these activities with loans from unaffiliated financial institutions or with loans from First Bancorp. Additionally, CFDC will hire contractors to complete any construction or rehabilitation projects with respect to these additional activities.

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MINNESOTA'S COMMUNITY DEVELOPMENT CORPORATION
Park Rapids, Minnesota

Bank Holding Company: MENAHGA BANCSHARES, INC.

Granted Permission: September 1994

Initial Capitalization: \$31,000

Description: Minnesota's Community Development Corporation (MCDC) is a multi-bank community development corporation (CDC) owned by four financial institutions, Menahga Bancshares, and Midwest Minnesota Community Development Corporation (MMCDC), an established CDC with more than twenty years experience in development lending over a large geographic area. MCDC serves Minnesota rural cities and counties with high unemployment rates and/or low household incomes to facilitate growth in jobs and affordable housing.

MCDC completed construction of its twelve-unit affordable rent townhouse project located in Menahga, Minnesota and leasing is nearly completed. MCDC also committed to finance an additional twenty-eight units of affordable housing in Frazee, Minnesota and Detroit Lakes, Minnesota. These are low-income housing tax credit projects comprised of a 16-unit townhouse project in Detroit Lakes and a twelve-unit apartment project in Frazee.

In economic development, the CDC participated in financing the purchase of a large snack food company that preserved over 250 jobs for the local area. In addition, the CDC lent the balance of its USDA's Intermediary Relending Program (IRP) funds to small businesses allowing for expansion and modernization of their facilities. Loans were also made to provide construction financing for two affordable rent apartment buildings.

MCDC's ownership as of June 15, 1997 follows: Menahga Bancshares, Inc. Bancshares, Inc., Menahga, Minnesota, 30,797 shares, 8.58 percent; Farmers & Merchants Bank, New York Mills, Minnesota, 40,000 shares, 11.15 percent; United Community Bank, Perham, Minnesota, 40,000 shares, 11.15 percent; MMCDC, Detroit Lakes, Minnesota, 55,000 shares, 15.33 percent; Northwoods Bank of Minnesota, Park Rapids, Minnesota, 33,720 shares, 9.40 percent; Farmers State Bank, Waubun, Minnesota, 24,836 shares, 6.92 percent; Northland Community Bank, Northome, Minnesota,

14,494 shares, 4.04 percent; Security State Bank, Bemidji, Minnesota, 40,000 shares, 11.15 percent; Border State Bank, Roseau, Minnesota, 40,000 shares, 11.15 percent; NCB Development Corp., Washington, DC, 40,000 shares, 11.15 percent.

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LOW-INCOME HOUSING INVESTMENT

Meadowview Townhomes Limited Partnership

Bank Holding Company: FIRST SLEEPY EYE BANCORPORATION, INC.

Granted Permission: January 1996

Investment: \$642,000

Description: Meadowview Townhomes Limited Partnership, a Minnesota Limited Partnership was formed in June of 1995 to provide affordable housing for families. It is a qualified low-income housing project which meets the requirements of section 42 of the Internal Revenue Code of 1986. The project, a 24-unit townhome development consisting of two and three bedroom units, was completed in late spring of 1996 and is now being leased.

First Sleepy Eye Bancorporation, Inc. acquired 60 percent of the limited partnership interest of the Meadowview Townhomes Limited Partnership. This investment was used as the equity contribution to the project.

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